GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3228
ANSWERED ON:11.08.2000
CAPITAL INVESTMENT IN INDUSTRIES
JAGMEET SINGH BRAR;NAWAL KISHORE RAI

Will the Minister of FINANCE be pleased to state:

(a) whether a huge difference has been found in the approved capital investment and the actual capital investment in the industries being run in the country by foreign capital investment;

(b) if so, the average difference found during the last three years;

(c) whether the Government have identified the reasons for this difference;

(d) if so, the details thereof; and

(e) the action taken by the Government to solve them?

Answer

Minister of State in the Ministry of Finance (V. DHANANJAYA UMAR)

(a): Yes Sir. There has been difference in the total amount of foreign investment approvals vis-...-vis the actual inflow of foreign direct investment (FDI) from 1991 to till March, 2000.

(b): The percentage of fructification of FDI during last three years is given below:

Year	FDI Inflow/FDI approvals (Percentage of fructification)
1998	43.29%
1999	59.46%
2000 (upto May)	86.91%

(c) & (d): FDI inflow are based on medium and long term considerations and are attracted by the investors perception about the current and future position of economy. The implementation of any project involving FDI is also determined by various factors including the availability of infrastructure, man power, domestic market and fiscal and other incentives provided by the State Governments. Due to these reasons, the approved foreign investment does not fructify to the maximum extent.

(e): The Government is taking all measures to enhance the confidence of international investors in Indian economy. To help the investors in setting up their investments, the Government, last year constituted a Foreign Investment Implementation Authority (FIIA) whose objective is to ensure that the large projects approved by Foreign Investment Promotion Board (FIPB) are implemented. To facilitate this the State Governments are also made members of FIIA.